

CHAPTER II. FUNDING PROCESSES

A. STATE PROCESS

The amount of CDBG funds available each year varies as a result of the legislative appropriation received. That amount is usually made public in February. As soon as that figure is known, the following formula is applied: \$100,000.00 plus two percent of the total grant is subtracted for state administration costs. The remaining funds are then divided among the seven regions. In 2004 the Policy Committee approved giving each region a base allocation of \$300,000.00 and dividing the balance of the funds using a per capita basis.



1. 2005 Allocation Formula

The 2004 Utah program received a total of **\$7,203,376** from the national appropriation of which **\$244,067** was used for administration. The CDBG Policy Committee approved a one percent (\$72,034) Technical Assistance Set-aside at the state level for the regional Associations of Governments (AOGs). A new proposal must be submitted to the state by each region for approval. Once the state approves the scope of work, contracts will be issued.

After the deduction of administration costs and the one percent technical assistance set aside the remaining figure for regional allocation was **\$6,887,275**. The following formula was used to distribute this amount to the non-entitlement cities and counties through their regional planning agencies.

Each of the seven planning regions received a base amount of **\$300,000** for a total of **\$2,100,000**. That amount was subtracted from **\$6,887,275**. The remaining balance of **\$4,787,275** was divided on a per-capita basis of **4.945807927** per region based on the most current non-entitlement population figures.

Table I. HUD ALLOCATIONS 2005

REGION	% NON-ENTITLEMENT POP.	NON-ENTITLE POP.	PER CAPITA	BASE	TOTAL
BRAG	10	98,512	487,221	300,000	787,221
WFRC	36	350,699	1,734,490	300,000	2,034,490
MAG	26	255,579	1,264,045	300,000	1,564,045
UBAOG	5	42,031	207,878	300,000	507,878
SCAOG	7	67,873	335,687	300,000	635,687
FCAOG	10	100,177	495,456	300,000	795,456
SEUALG	6	53,075	262,498	300,000	562,498
TOTAL	100	967,946	4,787,275	2,100,000	6,887,275

Once this formula has been determined other funds are added or subtracted in each region as a result of unused funds recaptured from prior years or emergency or interim funds awarded out of the application cycle that must be replaced. Those final amounts are not shown in the chart above.

2. 2006 State Allocation Formula

Total funds available for statewide allocation in 2006 will be calculated below when they are received in February.

The federal allocation to Utah for 2006 is \$_____. This is the beginning base allocation for the 2006 program year. From that amount the State is authorized to use **\$100,000.00** plus two percent of the total grant (\$_____) for a total administration cost of \$_____. The CDBG Policy Committee approved a **One Percent Technical Assistance Set-Aside** (\$_____) at the state level. In 1995 a new federal regulation allowed the State to set aside one-percent of its allocation to be used for the purpose of providing technical assistance activities. Such activities were defined by HUD as “assistance given to governmental agencies, non-profit corporations, or for-profit businesses to assist in improving the manner in which they provide services to their clientele, particularly LMI persons” through the use of funding from the CDBG program. This program is being made available again to the regional associations of government in seven equal portions for the 2006 program year. A new proposal must be submitted by each region/applicant, to the state for approval. Once the state approves the scope of work, ensuring that the objectives listed above are being met, contracts will be issued.

After the deduction of administration costs and the One Percent Technical Assistance set-aside the remaining figure for regional allocation is \$_____. The following formula is used to distribute this amount to the non-entitlement cities and counties through their regional planning agencies:

Each of the seven planning regions receives a base amount of **\$300,000.00** for a total of **\$2,100,000.00**. That amount is subtracted from the amount available after state administration and the one percent technical assistance are taken out (\$_____). The remaining balance of \$_____ is divided on a per-capita basis of (\$_____) per region based on the most current non-entitlement population figures. This process is shown below in Table II.

Table II. HUD REGIONAL ALLOCATIONS 2006

REGION	% NON-ENTITLE. POP.	NON-ENTITLE. POP.	PER CAPITA ()	BASE	TOTAL
BRAG	10			300,000	300,000
WFRC	36			300,000	300,000
MAG	26			300,000	300,000
UBAOG	5			300,000	300,000
SCAOG	7			300,000	300,000
FCAOG	10			300,000	300,000
SEUALG	6			300,000	300,000
TOTAL	100	0	0	2,100,000	2,100,000

Table III contains the record of all funds repaid, refunded, returned, recaptured or unused from previous years which will be added to the appropriate regions' total allocation in 2006. **The reallocation of funds from these sources will only be made at the beginning of each program year during the regular allocation process.** Funds determined to fit into this category may not be requested at any time other than the regular yearly allocation period.

Table III. FUNDS AVAILABLE FOR REALLOCATION IN 2006

REGION	1996	2000	2001	2002	2003	2004	2005	TOTAL
BRAG	37,041				60,000			
WFRC								
MAG						200,000		
UBAOG								
SCAOG								
FCAOG			5,389					
SEUALG					31,747			
TOTAL								

The final amount of funds allocated to each region, plus the reallocation amounts from Table III, minus the emergency requests made during 2005 equal the final amounts available for 2006 allocations and are represented in Table IV.

Table IV. HUD ALLOCATIONS 2006

AOG	HUD ORIGINAL	Plus REALLOCATED	Less EMERGENCY PAYBACKS	Equals FINAL TOTALS
REGION	ALLOCATIONS	FUNDS	SECTION 108 Interest Payments	FOR ALLOCATIONS
BRAG			35,000.00	-35,000.00
WFRC				0
MAG				0
UBAOG				0
SCAOG				0
FCAOG				0
SEUALG				0
TOTAL	0.00	0	35,000.00	-35,000.00

B. REGIONAL PROCESS

1. Application Review Process

Portions of the CDBG application review process have been decentralized to the seven multi-county Associations of Government (AOG's) regional planning agencies. Each has established a CDBG Regional Review Committee (RRC). The organization of each AOG's RRC may vary. In some cases, special sub-committees are formed to conduct part of the application review, while in others, the association's executive committee or board acts as the review body. In the case of Wasatch Front Regional Council (WFRC) the process is further decentralized to allow prioritization by each county's Council Of Governments (COG's). Following this initial review and prioritization, the WFRC general board reviews and approves each COG's recommendations before sending an approved list to the State.

The role of the review committee is to initially provide for the receipt, review and prioritization of CDBG applications on either a regional or countywide basis. Following this process, individual Grantee awards are determined and funded based on a region's total allocation. This regional body has the responsibility to determine threshold eligibility, and consistency with the consolidated plan as well as National Objective compliance.

Following the review and/or certification of the National Objective, consolidated plan compliance and project eligibility determined by the individual AOG's, and based on the documentation/evidence supplied on the Pre-application form, the RRC may then apply their regional rating and ranking system and specify the grant award amount. The state staff, following each rating and ranking process, again reviews compliance with all Federal criteria. The state must verify compliance for all applications attempting to meet the slum and blight national objective prior to rating and ranking. All applications that include an original survey must also be reviewed by the state prior to rating and ranking.

2. Rating and Ranking

Although the state has overview responsibility for this activity, the development of a RATING AND RANKING SYSTEM must be completed by the RRC. The preparation of these policies occurs prior to the receipt of grant applications thereby allowing prospective applicants an opportunity to assess the factors that will be used to rate their application before and during the preparation of that application(s). RRC's will continue to have the discretion to establish regional public service categorical grant programs as part of their individual regional rating and ranking policies and procedures

The ranking criteria must contain, at a minimum, the eight specific criteria found in Appendix H. This Appendix also includes the individual RRC's rating and ranking processes for the 2005 allocation year. Each region's process must be endorsed by its RRC and approved by the state in advance of the application review.

Grantees with open grants from previous years who have yet to spend 50 percent of their previous grant are not eligible to be rated and ranked with the exception of housing rehabilitation projects.

Public service applicants must demonstrate that they are providing a new service or a quantifiable increase in the level of service. Federal rules prohibit Public Service grants from exceeding 15 percent of the total state grant award. RRC's should keep this in mind when rating and ranking projects.

Only complete and accurate applications will be rated and ranked.

All projects selected by the RRC to receive **multi-year funding** (the allocation of CDBG funds over a period of several years) must be determined and documented by the RRC at the time of rating and ranking. This determination must include the:

- a) number of years of funding the grantee will receive (up to three consecutive years is presently allowed) and,
- b) amount of allocation for each year that is being awarded.

Following the completion of the rating and ranking process, each RRC will present to the State a list of the following elements:

- a) a copy of all pre-applications, whether or not funded,
- b) copies of ranking result sheets that must contain the names of all the submitted applications, the actual allocation of all funds, and show all final ranking results.

After review by the state staff, the AOG will return the original pre-applications to the successful applicants to use during the completion of the Final Application. The pre-application and the final application must be submitted as one to be considered a complete application by the state.

An organization or eligible political entity may withdraw an application(s) from consideration by the RRC at anytime, either prior to or following it's rating and ranking process. The **RRC** must acknowledge the final disposition of all applications by providing official notification to each applicant.

State staff is available to attend any discussion or meetings of the RRC in relation to the CDBG application requirements in order to assist in the clarification of state or federal policy. The State will also provide technical assistance to each RRC to ensure compliance with all federal and state regulations in ranking projects for funding. The State will honor the regional planning agency's priority list, but reserves the right of final project approval in determining that a project meets one of the three National Objectives, is an eligible project, and complies with other federal regulations and state criteria.

3. **Set-asides**

This is a process where a specific amount of money is “set-side” from the general regional allocation to be used for a specific category of activity (e.g. housing assistance or economic development). Set-asides may only be used for a general category of activity and not for a specific project. Rather than competing against all other applicants, applicants qualifying for a set-aside would only compete against other applications falling under the set-aside category. For example, only jurisdictions desiring funding for a housing activity would compete against each other for housing set-aside dollars.

Each RRC must decide prior to approving rating and ranking criteria, whether or not it desires to establish one or more set-asides. Rating and ranking (R&R) criteria for the set-aside(s) may differ from the primary R&R criteria, but must also be specifically established and approved. RRC policies should specify whether unfounded applications from the set-aside process are then eligible for the primary allocation process.

If a set-aside is to be utilized, the RRC must notify all eligible applicants of the category and funding amount of each set-aside. If funds remain in the set-aside after all viable set-aside applications are funded, the residual funding is to be utilized to fund high-ranking applications from the primary allocation process.

C. **PROGRAM INCOME**

1. **Definitions:**

a. **Eligible Program Income:** All principal and interest received by a grantee in the form of repayments from program activities for projects which loan funds to private individuals for housing rehabilitation or economic development purposes and are provided by CDBG sources. This condition will continue as long as the grantee maintains an income-generating program, whether or not a present CDBG contract is in effect.

b. **Eligible Activities:** Any activity identified in Chapter III.E.

c. **Ineligible Program Income:** Interest paid to a grantee as a result of CDBG allocations. Deposited in interest bearing accounts.

2. **Grantee Generated Program Income:**

a. **Source of Program Income:** The State CDBG program allows grantees to retain program income from housing rehabilitation or economic development revolving loan activities or if continuing the same activity that generated the income. Other eligible program income producing activities must return program income to the state.

Interest earned by grantees when CDBG payments are deposited in interest

bearing accounts of any kind may not be retained by the grantee. Any interest earned as a result of this unauthorized use of funds will, if less than \$100.00, be returned to the state and will be added to the Emergency Fund. Interest earned in excess of \$100.00 must be returned to the U.S. Treasury.

b. Maximum Retained: It is required that grantees expend all program income funds prior to requesting regular program funds from the state. If necessary, and for administrative simplification only, the state will allow an accumulation of up to **\$15,000** in any grantee's program income account. If an extended period of time elapses between loans made for this purpose, the account will be allowed to increase beyond this limit. The state will require that a current bank statement or other comparable documentation showing the current balance in the program income account be submitted with each request for funds. Separate accounts may be necessary in order to simplify record keeping. All such documentation is subject to audit and verification by the state.

3. State Generated Program Income:

a. Source of Program Income: Program income generated from the State administered "Interim" Financing Program as defined in Chapter VI, section C-4, of this document, must be returned to the state. Until 1993 income from this program was distributed equally to all seven AOG regions adding to their annual allocation. At that time, it was decided by the Policy Board to create a statewide emergency fund using this Program Income. The fund is capped at \$500,000.00. These funds are used to capitalize emergency requests for eligible activities that arise during the year after the normal application time has elapsed based on approval of the Policy Committee.

D. INTERIM FUNDING or "FLOAT-FUNDED ACTIVITY" LOAN PROGRAM

1. Source: CDBG funds in the state's line of credit that are awarded to CDBG contracts that will not be able to expend their funds immediately. Because the CDBG program is a "reimbursement program" a significant amount of awarded but unused money is always being held in reserve.

2. Projects: "Interim" or "Float" loans are defined as projects that will require the short-term use of funds, usually less than two years, and, which are supported by a letter of credit, future CDBG allocations or other security approved by the CDBG Policy Committee. The "float" is paid back to the program either over a set time period or as a lump sum at the end of the term of the loan. The RRC must approve the application at the regional level and the CDBG Policy Committee must also approve the loan at the state level and set the term and interest rate to be paid on the principal. All other requirements listed in Chapter VI apply to the use of funds for this purpose.

E. EMERGENCY FUND:

1. Projects: Emergency Projects are defined as projects that have a particular urgency, as determined by each of the individual Regional Review Committees (RRC's). They can be funded outside normal allocation cycles from the Emergency Fund (described below). The RRC must determine its own definition of an emergency and adopt a policy that will be applied to all emergency applications. Existing project cost overruns may be funded if the RRC deems it an appropriate emergency. A corresponding dollar for dollar reduction will be made in the allocation received by the region in the next funding cycle.

2. Application Procedure: Requests for emergency funds must be submitted utilizing the state's application form for the most recent funding cycle. AOG staff will review the application for eligibility and check for consistency with the Consolidated Plan. Applications that meet with the local RRC's approval criteria must go through a public hearing (See Ch. IV A). The public hearing is required for new projects or to augment an existing project. The details of the emergency fund application or of the changes to the original scope of an amended project must be disclosed.

All emergency projects must meet all CDBG program requirements. Following RRC approval, the state staff will review all emergency applications for program eligibility and national objective compliance. The state reserves the right to reject or amend applications that do not meet these threshold requirements. In the case of existing project cost overruns, a new scope of work, budget and public hearing are required. The State Policy Committee must approve all emergency applications.

Emergency funds (distributed statewide) are limited on an annual basis to \$500,000. As such, RRCs are asked to be very conservative in their definition of an emergency. To deal with multiple project proposals with similar timeframes, the State Policy Committee will take into account the nature of each identified emergency.

3. Source: The emergency fund was originally capitalized with program income received as interest from the interim loans. Interest earned by grantees is also added to the emergency fund. (Interest earned on CDBG funds before disbursement, must be returned to the state and will be added to the emergency fund, amounts in excess of \$100 must be returned to HUD.) If emergency funding requests exceed the available balance of such funds, additional funding (up to a combined annual total of \$500,000) will come from using previously allocated but unspent balances in the state's line of credit with HUD (in the same manner the interim loans are funded). The amount of any emergency funds distributed during the year will be subtracted from the top of the appropriate regional allocation during the next funding cycle.